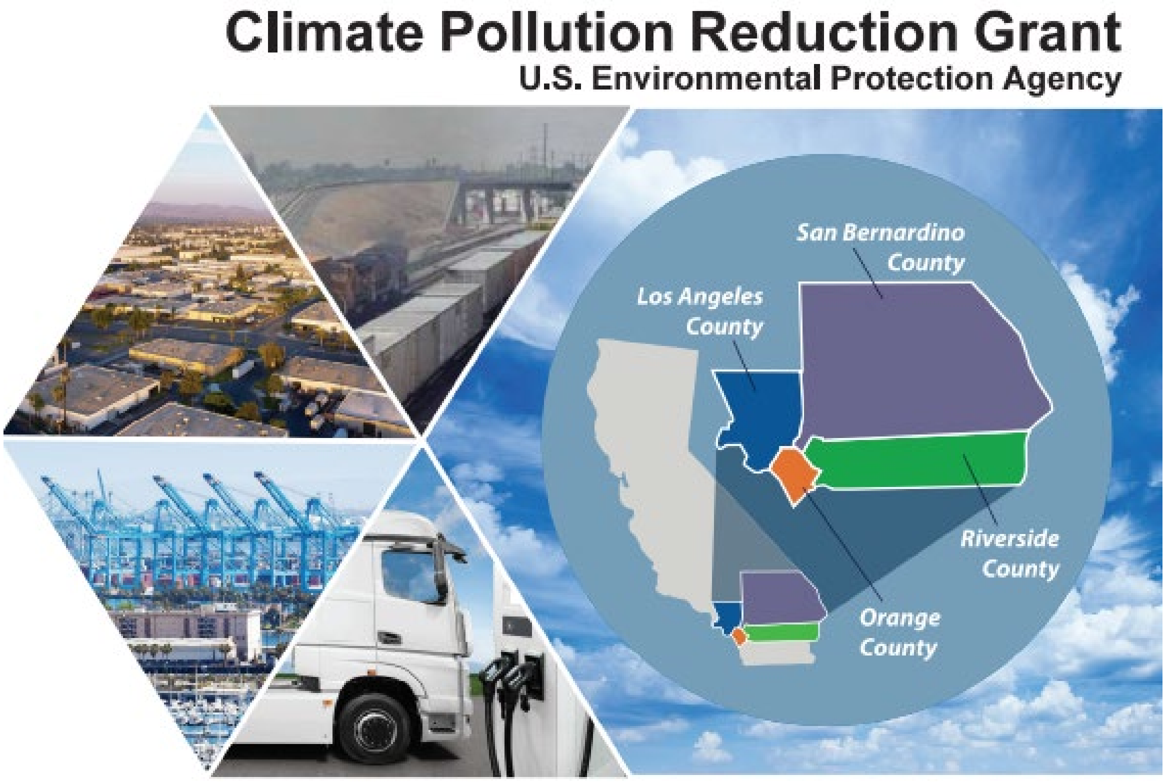
# Implementation Plan

# INVEST CLEAN

# Measure 2.2 – Last Mile Freight Rebate Program



# LAST MILE FREIGHT PROGRAM-CLASS 4 & 5 VEHICLE REPLACEMENT

## 1. Introduction

In July 2024, U.S. EPA awarded funds to the South Coast Air Quality Management District (South Coast AQMD) to implement INVEST CLEAN in Los Angeles-Long Beach-Anaheim and Riverside-San Bernardino-Ontario Metropolitan Statistical Areas (MSAs). The two MSAs include the following four counties: Los Angeles, Orange, Riverside, and San Bernardino. The INVEST CLEAN initiative focuses on reducing emissions from the goods movement sector by implementing incentive measures and electrifying the Southern California goods movement corridor. INVEST CLEAN includes four measures, which provide incentives for the installation of electrical charging equipment to support heavy-duty battery-electric (BE) vehicles and replacing high-polluting vehicles and equipment with BE Class 8 freight vehicles, last-mile delivery vehicles, cargo handling equipment (CHE), and switcher locomotives.

Through a subaward, the Southern California Association of Governments (SCAG) will be administering the “Last Mile Freight Rebate Program” (Program) under the INVEST CLEAN grant. Following the overall approaches in the Workplan, this Implementation Plan (Plan) addresses the procedures and methodologies to implement the Program so that the outputs and outcomes specified in the Workplan can be achieved. This Program will incentivize the transition of goods movement operations to advanced technologies and reduce emissions by replacing or upgrading last-mile Class 4 and 5 freight delivery vehicles with battery-electric technology. Total incentive funding of $50 million is allocated for last mile Class 4 and 5 freight delivery vehicles. This Plan describes the funding structure, timeline, application solicitation and distribution procedures, application evaluation process, key program requirements, invoice process, engagement with local communities, data reporting, and other strategies to ensure the successful execution of this Program.

## 2. Definitions

<u>Applicant:</u> Entity that submits an application to the Program.

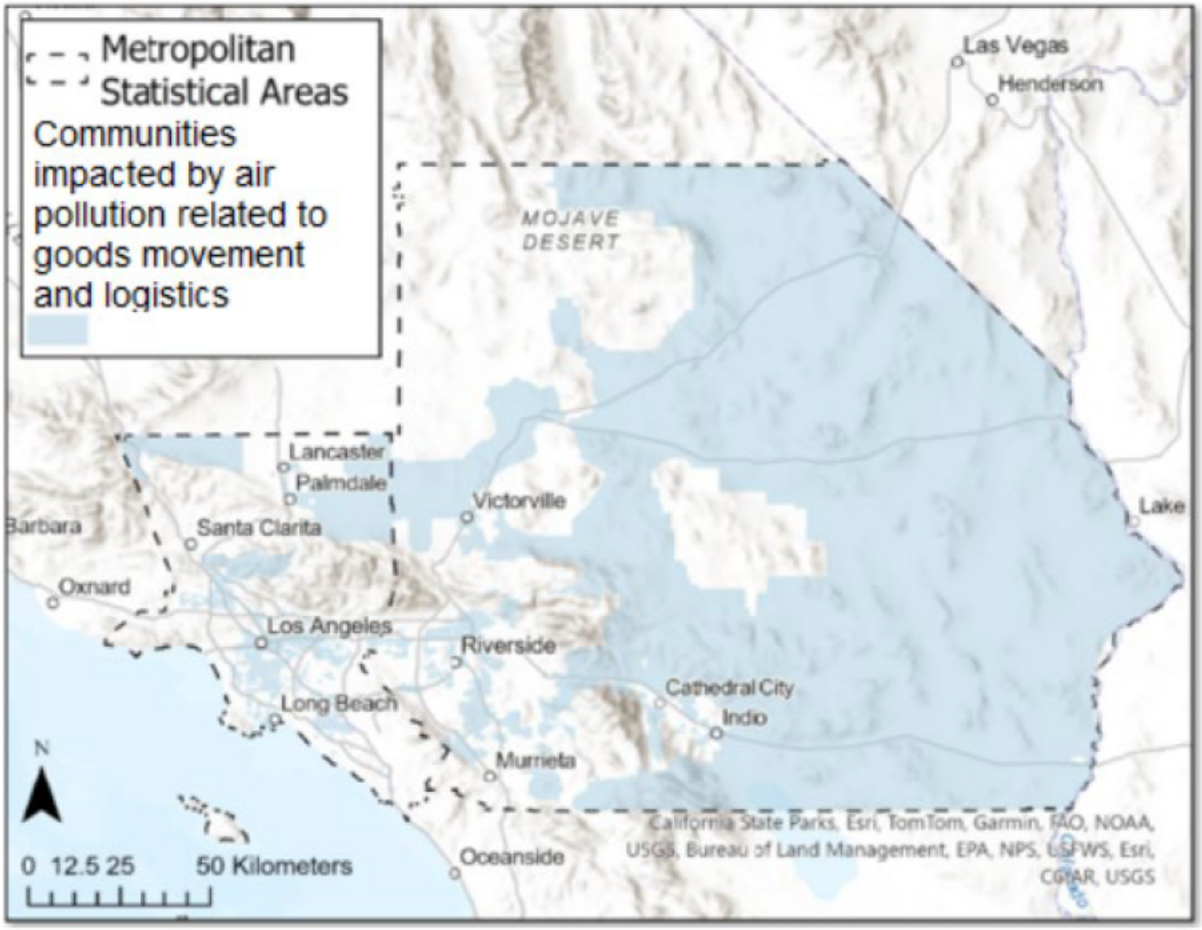
<u>Goods Movement:</u> As defined in Commercial Code Section 2105, goods are movable and the goods being moved must be part of a transaction that involves a contract for the sale of the goods.

<u>Gross Vehicle Weight Rating (GVWR):</u> The maximum allowable total weight of a vehicle when fully loaded.

<u>Metropolitan Statistical Areas (MSAs):</u> Statistical areas defined by the Office of Management and Budget which have an urban core population of at least 50,000. The INVEST CLEAN program specifically serves the Los Angeles-Long Beach-Anaheim and Riverside-San

Bernardino-Ontario MSAs, which include the following four counties: Los Angeles, Orange, Riverside, and San Bernardino.

Figure 1 Area inside the dotted lines represents the two MSA qualified territories




Measure: One of the four battery electric technology categories under the INVEST CLEAN grant. It covers the incentive program, data collection, workforce training, and community outreach. In this Plan, it refers to Battery Electric Freight Vehicles.

Participant Support Cost: Direct cost contributions on behalf of award recipients who are participating in the Program. These are specifically contributions for the vehicle or electric motor(s) procurement/installation costs.

Program: The incentive portion of the Measure for Last Mile Freight Rebate under the INVEST CLEAN grant.

Project: A Project is considered the decommissioning of a single existing engine to be replaced with new battery-electric technology that has applied and/or received funding under the Program.

Rebate: Reimbursement of funds to a rebate recipient after they have made an eligible purchase or completed a qualifying activity under the Rebate Agreement. The eligible purchases must be backed up with proof of payment before a rebate payment can be issued.

Rebate Agreement with SCAG: A written document that establishes the amount, eligibility criteria, responsibilities, and compliance requirements associated with the rebate award, ensuring that funds are used for their intended purpose and that the recipient fulfills the program objectives before payment. For Measure 2.2, all rebate agreements will be between the rebate recipient and SCAG.

Rebate Recipient: The selected entity that enters into a Rebate Agreement with SCAG. It will be required to fulfill all program requirements – such as purchasing eligible equipment, replacing or scrapping old equipment, and providing required documentation- to receive an approved rebate payment. Rebate Recipient is the same as a Program Beneficiary but for consistency purposes, Rebate Recipient will be used in this document.

Replacement: Replacement Projects require the decommissioning of an existing retiring/baseline vehicle and the commissioning of new battery electric vehicle. Conversion Projects opting to replace only the engine must scrap the baseline engine and install electric motor(s) in the baseline vehicle.

Southern California Association of Governments (SCAG): SCAG is a joint powers authority under California state law, established as an association of local governments and agencies that voluntarily convene as a forum to address regional issues. The designated third-party administrator of the "Last Mile Freight Rebate Program" (Program) under the INVEST CLEAN grant

University of California Irvine (UCI): The designated third-party data collection and verification organization under INVEST CLEAN.

Vehicle Class: Trucks are categorized into different classes based on the GVWR of the vehicle.

| Vehicle Class | GVWR Category |
|---|---|
| Class 4 | 14,001-16,000 lbs |
| Class 5 | 16,001-19,500 lbs |
| Class 6 | 19,501-26,000 lbs |
| Class 7 | 26,001-33,000 lbs |
| Class 8 | 33,001+ lbs |

## 3. Structure

The Last Mile Freight Program offers rebate incentives open to fleets involved in last mile freight through the commercial deployment of Class 4 and 5 vehicles and will be administered as a separate component through SCAG's existing Last Mile Freight Program. The rebate program supports the purchase and deployment of Class 4 and Class 5 commercial vehicles. Conversions of existing Class 4 and Class 5 diesel vehicles to battery-electric technology are also eligible for rebate funding. All vehicles must operate within the MSAs. Priority consideration will be given to applicants offering a one-to-one replacement of diesel vehicles/engines for each new battery electric vehicle (BEV) purchased. $50 million is allocated for the Last Mile Freight Rebate Program. The incentive amount per vehicle shall not exceed $67,000.

**Applicant Eligibility**

Eligible applicants include those engaged in delivering goods within the MSAs. This includes, but is not limited to, asset-owners/operators, independent contractors, and asset-light logistics entities.

**Equipment Eligibility**

Eligible replacements include fully battery-electric Class 4 and Class 5 vehicles or electric motors designed for last-mile freight/goods movement vocations. Rebate eligibility requires that an existing vehicle be scrapped or converted to battery electric power.

<u>Existing Vehicle</u>

Class 4, 5, and 6 diesel vehicles are eligible to be scrapped for replacement with a new battery-electric vehicle through this program. In addition to new vehicle purchases, the program also offers rebates for the conversion of existing diesel-powered vehicles for Classes 4 and 5 only. The original diesel engine must be removed and dismantled by the conversion provider or delivered to a certified dismantler approved by CARB or the local air district.

- Eligible existing vehicles for scrappage must be Classes 4, 5, or 6.
- Eligible existing vehicles for conversion must be Classes 4 or 5.
- Must be designed for last-mile delivery vocations.
- Must be diesel-powered.
- Must have an engine model year from 2010 or newer.
- Must be domiciled and have operated at least 75% within MSAs for the prior 12 months from application submittal.
- Must have operated a minimum of 5,000 miles during the 12 months prior to application.

<u>Eligible Replacement Vehicle</u>

Rebate eligibility requires that the replacement vehicles meet the following requirements:

- Must be brand new or converted battery-electric powered Classes 4 or 5 designed for last-mile delivery movement vocations;
- Must not be powered by hydrogen or any fossil fuels;

- Must be delivered and deployed into service no later than four (4) months after Rebate Agreement execution with SCAG. A two (2)-month extension may be granted if necessary; and
- Must operate at least 75% within one or both of the MSAs for a minimum of 5 years after vehicle deployment.

**Cost Eligibility**

Eligible Costs are Project costs that qualify for reimbursement under this program. INVEST CLEAN Program rebates can be no greater than the Project's procurement cost. Costs for warranty, shipment and tax may be eligible for the rebates. Eligible costs are considered prior to any funding cap restriction determination.

- Rebates may be applied to sales tax, license, title, and other standard point-of-sale fees associated with purchasing or converting an eligible vehicle.
- Rebates will not be applied to unrelated costs such as infrastructure installation, vehicle maintenance, or non-standard equipment.

## 4. Implementation Timeline

| Phase | Timeline |
|---|---|
| Release of the Rebate Program | October 2025 |
| Project Selection | October 2025 - January 2026 |
| Re-release of Solicitation, if needed | July 2026 |
| Project Selection (re-release) | July 2026 – October 2026 |
| Rebate Agreement Execution | February 2026 – August 2027 |
| Procurement & Deployment | February 2026 – September 2027 |
| Performance and Usage Tracking | June 2026 – March 2029 |

## 5. Incentive Funding

**Rebate Agreement**

SCAG will execute agreements with rebate recipients, flowing down all necessary program terms and conditions, including but not necessarily limited to the following:

- Be available for a follow-up inspection by South Coast AQMD, if requested;
- When the Project is a vehicle replacement, the existing vehicle must be scrapped;
- Provision of data to ensure monitoring and compliance through telematics or other travel logs as appropriate;

- Register the new/replacement vehicle in California with the Department of Motor Vehicles;
- Maintain insurance on the new/replacement vehicle as required by law;
- Ensure the operation of the new/replacement vehicle is within one or both of the MSAs and provide all necessary progress reports;
- The funded vehicle is required to maintain a minimum of 5,000 miles a year, 75% of which must be within the two MSAs for the entire operating period;
- Ensure the new vehicle is operated and maintained with proper maintenance throughout the Agreement term;
- The replacement vehicle is to have at least a three-year manufacturer's warranty; and
- Ensure that vehicle operation is restricted specifically to last mile freight delivery.

**Rebate Amount**

Up to $67,000 may be provided as a rebate per eligible vehicle.

All applicants must disclose all sources of any other funding, including the name of the funding source and the amount of funding. Other funding will be evaluated to determine whether they can be combined, or "stacked" with Measure 2.2 funding. There is no cost share required through this program. Total incentive funds cannot exceed the cost of the vehicle.

**Rebate Distribution**

Upon delivery of new vehicle, the participant will submit an invoice to SCAG using an approved form with supporting documentation. As part of the submittal, the participant will submit documentation including, but not limited to, the following:

- Purchase invoices and/or signed sale agreements for the new vehicle(s) verifying that the eligible battery-electric unit(s) was sold to the rebate recipient;
- Copies of checks, wire transfers and/or financing documents documenting all payments for the invoiced amount charged by the dealership or equipment manufacturer;
- If applicable, documentation verifying each existing vehicle/engine was delivered to an approved dismantler and destroyed; and
- Proof of vehicle registration, insurance, and warranty information, for new or converted vehicle.

## 6. Scrapping Requirements

All existing vehicles or engines replaced as part of this program must be destroyed and rendered useless to ensure emission reductions are achieved. At a minimum, the destruction of a vehicle/engine must include the following:

- For vehicle replacement, existing vehicle must be driven, not towed, to a South Coast AQMD-approved dismantler. A dismantler receipt must be collected by the rebate recipient and provided to SCAG before the rebate can be processed.

- For conversions, the replaced engine must be destroyed after being replaced. Documentation of the destruction must be provided to SCAG.
- Dealer, OEM, or dismantler shall provide proof of scrappage to SCAG including:
  - Inspection forms and digital photos for existing vehicle ready for dismantler documenting the following:
    - Vehicle from front (license plate, if available)
    - Vehicle Identification Number (VIN)
    - Engine serial number (ESN)
    - Cut in frame rails for vehicle replacement Project
    - Drilling a three-inch asymmetrical hole in the engine block
    - Location of dismantler yard where the existing vehicle/engine was destroyed
    - Date the existing vehicle is delivered to or picked up by a dismantler
- Completed REG 42 (Report of Vehicle to Be Dismantled) with DMV-stamped validation or other completed DMV forms used to validate vehicle dismantling and junking.

## 7. Outreach and Engagement Strategy

Efforts by SCAG will include:

- Engagement with industry stakeholders through conferences and trade associations, such as the Advanced Clean Transportation Expo
- Leverage existing contacts
- Stakeholder workshop(s)
- Partnerships with community-based organizations for outreach to impacted communities

With input gathered from initial outreach efforts, SCAG will develop an FAQ document to be published on the SCAG's webpage.

Based on input received from the public, South Coast AQMD will disseminate information and work with local and regional partners throughout the MSAs, to engage with industry, community, labor, and other stakeholders to promote the Program. Outreach will be conducted to ensure that original equipment manufacturers (OEMs), dealerships, and fleets in the Class 4 and 5 BEV market are aware of the program. Additionally, Community outreach and engagement will be conducted to receive feedback on Project prioritization considerations and related issues.

- Maximize outreach to reach potential incentive program participants through various channels including, but not limited to in person meetings/workshops, participating in industry and community events, social media, INVEST CLEAN website, email blasts, partnerships with governmental agencies, chambers of commerce and trade associations, and other methods
- Utilize subscription mailing lists by Standardized Industrial Classification to reach a broader pool of potential program applicants.
- Coordinate with Community Benefits Steering Committee to educate stakeholders on funding opportunities

- Engage with targeted communities and stakeholders, including Community Air Protection Program Steering Committees

The INVEST CLEAN website will be periodically updated to provide Program Announcements, Request for Proposals, public workshops, meetings and events, workforce development opportunities, and other information.

## 8. Application and Evaluation Process

**Selection Criteria:**

Applications will be reviewed on a rolling basis throughout the submission period and will be assessed based on compliance with program requirements, Project feasibility, and potential to achieve regional air quality and emissions reduction benefits. SCAG staff will notify applicants if their applications are incomplete or require clarification so that applicants have an opportunity to provide missing information before the submission period closes.

Once the submission window has closed, SCAG will reevaluate applications collectively to ensure that a majority of purchases are replacements/conversions of existing diesel vehicles. Rebate selections will also seek to achieve a geographic funding target of at least $6,250,000 per county within the MSAs. Actual funding allocations will depend on application volume, Project eligibility, and demand across the four counties. To ensure timely distribution of funds, a program sunset date will be established and enforced if one or more counties experience low participation or insufficient eligible applications.

All eligible applicants will be considered, but SCAG will use a tiered system to rank Projects based on vehicle replacement tiers defined below, "shovel-ready" vehicle acquisition plans, projected emissions benefits, and geographic funding balance. Funding preference will be given to higher-tier Projects to maximize regional air quality outcomes.

The tiered system is designed to provide transparency and consistency in the selection process while ensuring that rebate awards achieve the greatest possible impact. Projects are grouped into three tiers, with Tier 1 representing those that most closely align with program priorities, such as replacing higher-mileage vehicles with newer battery-electric technologies, demonstrating readiness for immediate deployment, and supporting balanced distribution of funding across the region. Tier 2 Projects exceed baseline standards by satisfying key air quality objectives and maintaining geographic funding balance, while Tier 3 Projects meet all minimum program requirements but may be awarded funding only after higher-tier Projects have received higher priority awards.

This tier system allows SCAG to prioritize investments in Projects with the strongest attributes to meet program requirements for regional emissions reductions.

<u>Tier 1 – High Priority</u>

- Vehicle Replacement: One-to-one replacement of diesel vehicles/engines for each new BEV purchased/converted.
- Existing Vehicle Age and Mileage:
  - 2010-2014 vehicles with ≥ 20,000 annual miles, or

- 2015+ vehicles with ≥ 30,000 annual miles

- Project Readiness: Demonstrated shovel-ready acquisition (infrastructure in place or documented to be in place at vehicle delivery).
- Geographic Distribution: Supports geographic balance by filling underrepresented domicile counties/MSA.

<u>Tier 2 – Medium Priority</u>

- Vehicle Replacement: 70%-99.9% diesel replacement documented.
- Existing Vehicle Age and Mileage:
  - 2010-2014 vehicles with 10,000-19,999 annual miles, or
  - 2015+ vehicles with 15,000-29,999 annual miles
- Project Readiness: Acquisition plans progressing but infrastructure still pending or conditional.
- Geographic Distribution: Applications from areas with moderate representation.

<u>Tier 3 – Baseline Priority</u>

- Vehicle Replacement: Meets minimum 51% diesel scrappage threshold.
- Existing Vehicle Age and Mileage:
  - Any 2010+ vehicle with 5,000-9,999 annual miles
- Project Readiness: Acquisition timeline uncertain; infrastructure still under development.
- Geographic Distribution: From overrepresented areas but still eligible if funds remain.

If an application meets only a portion of the requirements for placement within a particular tier, it will be placed in the highest tier for which it meets or exceeds all the requirements.

SCAG may also consider elements to prioritize Projects and award rebates for applicants demonstrating higher degrees of performance based upon the proposed new vehicle(s), manufacturer(s), and dealership(s).

There is a possibility that, due to large program interest, applicants may be offered partial funding. In this scenario, to ensure that a majority of purchases are replacements/conversions of existing diesel vehicles, applicants requesting diesel vehicle replacements below Tier 1 may be asked to reduce the number of battery-electric vehicles to receive funding. If the program is oversubscribed, not all eligible applications may be funded.

### 9. Inspections

Program staff will conduct an on-site or remote inspection of the Project, including engine, vehicle, or equipment, and associated records, during the contract term. Per 2 CFR 200.337, EPA and its authorized representative shall have access to the funded Projects. Program staff will perform inspections on up to 20 percent of the Projects. Inspections may be conducted for a randomly selected group of Projects. Onsite visit or virtual video inspections will include one or more of the following verifications:

- Pre-inspection: verification of existing equipment, including make, model, vehicle model year and engine model year
- Post-inspection: verification of new/replacement equipment, including make, model, vehicle model year and engine model year
- Destruction inspection: verification of destruction of existing equipment

**10. Monitoring and Compliance**

Rebate recipient must:

- Provide quarterly progress reports until end of rebate agreement term.
- Maintain equipment in active operation for the entire Project life within the MSAs.
- Data tracking and reporting:
  - Each battery-electric vehicle deployed under this Measure will be required to report performance metrics, such as mileage, energy usage, and other relevant data, such as origin-destination and vehicle miles traveled (VMT) across MSAs. Where feasible, rebate recipient must install data loggers on the vehicles to enable real-time data submission or remote access. Rebate recipients may request to withhold business-sensitive data, provided this does not compromise the objectives of the data collection. The University of California, Irvine (UCI), the designated third-party data verification organization under INVEST CLEAN, will collect and analyze vehicle data to verify the Measure's performance, emission reductions, and associated job creation. Specific data collection and reporting procedures will be provided to rebate recipients once developed by UCI.

**11. Workforce Training**

This measure does not consist of a charger component hence the International Brotherhood of Electrical Workers (IBEW) pre-apprenticeship and apprenticeship programs are not involved. However, if any participating fleet receiving a rebate needs training on battery-electric technology, IBEW will coordinate the training efforts through a local university or a training institution.

**12. Program Performance Evaluation and Contingency**

SCAQMD will evaluate and closely monitor the program's progress to identify the need for improvements and adjust accordingly, including modifying the solicitation and reissuing the solicitations. SCAQMD will evaluate the program performance based on the following:

- Project implementation progress
- Measures participation

- Agreement execution
- Semi-annual reports from the participants, and reported malfunctions and challenges
- UCI analysis of the data collected from the fleet operation.

If the program performance did not meet the expectations, the contingency measures include but are not limited to, the following:

- Reopen the solicitations
- Obtain EPA's approval and reallocate funds to other measures and consider the cost-effectiveness
- Conduct additional outreach
- Enforce agreements and impose penalties
- Increase monitoring and Project tracking
- Meet with rebate recipients regularly to discuss plans to mitigate emission reduction shortfall